

Memorandum

To: State Agriculture Development Committee

From: Paul Burns, Chief Review Appraiser SADC

Date: April 25, 2014

RE: Draft Summary of Proposed Changes to the SADC Appraisal Handbook – 2014

1. Revised Appraisal Order Checklist (attached) Appendix A

- a. Reason: To better define acreage to be appraised as well as more detailed explanation of the exception areas. An area to provide more detail and owner contact information is provided. Language believed to be irrelevant to appraisers is removed.

2. Addition of the Residential Opportunity Adjustment Guide (attached) Appendix B

Reason: Some appraisers have found this guide useful in in consideration of their analysis of residential opportunities.

3. Page 14: Deletion of Phrase” if he so chooses” from example.

Reason: The phrase has been sometimes wrongly interpreted that an appraiser does not have to consider the area of the exception when developing the per acre value of the property. In fact, the appraiser must consider the adjusted gross acreage of the tax lot(s) in application when analyzing the subject property in order to develop the per acre value of the subject. It is only when the appraiser presents his or her certification of value or conclusions that he or she should apply the per acre value derived from the adjusted gross acreage analysis to the net acreage to be preserved in order to reflect the amount of total dollar compensation the landowner could realistically expect to receive. The appraiser should be aware that this figure is subject to change upon completion of a survey. The change is presented in its context below.

For example: If a property is actually 100 acres, but the owner has retained a 3 acre exception, the appraiser ~~if he so chooses, can~~ reports the subject size as 100 acres for purpose of analysis in his or her before and after grids. On the appraiser’s certification however, the SADC still requires that the appraiser report the acreage as 97 acres. Typically, there will be no measurable impact to the per acre value. In instances where the exceptions(s) constitute a larger area of the farm or contribute significantly to the value of the overall property, the above example may become critical to the accurate valuation of the property’s unrestricted and deed restricted values.

4. Page 25: Adding the phrases;
 - a. of the adjustment should be detailed and reasonably qualified or quantified.
 - b. And - This does not mean an appraiser cannot make adjustments of greater than +/- 20%, only that such adjustments should be clearly supported by evidence or factual data that the appraiser can present.

Reason: Provide greater clarity to the sentence; If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment.

The sentence currently reads: If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment.

The sentence will now read:

If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation of the adjustment should be detailed and reasonably qualified or quantified, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment. This does not mean an appraiser cannot make adjustments of greater than +/- 20%, only that such adjustments should be clearly supported by evidence or factual data that the appraiser can present.

Appraisers constantly question whether this statement in the SADC Appraisal Handbook prohibits adjustment of greater than 20%. It has never meant that.

5. Page 25: Sentence moved from last paragraph on page 24 with language added: The sentence formerly read:
 - a. The use of the following grid is mandatory when the highest and best use is residential development. The appraiser should utilize sales, which most closely resemble the conditions on the subject property. The value conclusion should be expressed as a per acre figure and a total figure for the property. In the reconciliation, discuss sales thoroughly and indicate which were emphasized.
 - b. It will now read: The use of the following grid is mandatory when the highest and best use of the subject is current/future residential development of raw land. The appraiser should utilize sales, which most closely resemble the conditions on

the subject property. The value conclusion should be expressed as a per acre figure and a total figure for the property. In the reconciliation, discuss sales thoroughly and indicate which were emphasized.

Reason: This sentence should come directly before the grid example it refers to. The sentence about 20% adjustments, from number 4 above should come directly after the discussion of adjustments in the preceding paragraph.

Appendix B

Residential Opportunity Adjustment Guide

	1	2	3	4	5
Subject Has ↓	Sale has RDSO	Sale has Non Severable Exception	Sale has Existing Residence	Sale has Severable Exception	Sale has No Residential Opportunity
A. RDSO	A1 Subject is Equal	A2 Subject is Inferior or Equal	A3 Subject is Inferior or Equal	A4 Subject is Inferior or Equal	A5 Subject is Superior
B. Non-Severable Exception	B1 Subject is Superior or Equal	B2 Subject is Equal	B3 Subject is Superior or Equal	B4 Subject is Inferior of Equal	B5 Subject is Superior
C. Existing Residence	C1 Subject is Superior or Equal	C2 Subject is Equal or Inferior	C3 Subject is Equal	C4 Subject is Inferior or Equal	C5 Subject is Superior
D. Severable Exception	D1 Subject is Superior or Equal	D2 Subject is Superior or Equal	D3 Subject is Superior or Equal	D4 Subject is Equal	D5 Subject is Superior
E. No Res. Opportunity	E1 Subject is Inferior	E2 Subject is Inferior	E3 Subject is Inferior	E4 Subject is Inferior	E5 Subject is Equal

All adjustments for residential opportunity are solely each appraiser's opinion. The above guide is merely a generalized table designed to assist the appraiser in their adjustment process. An appraiser may have a different opinion than those expressed in this guide, but will likely be asked to clearly explain their rationale. For example; housing size and other limitations placed on RDSOs or exceptions could have an effect on how the appraiser interprets comparability.

